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FM AMEMBASSY RANGOON
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INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBK/AMEMBASSY BANGKOK 2996
RUEHBJ/AMEMBASSY BEIJING 2354
RUEHBY/AMEMBASSY CANBERRA 2119
RUEHKA/AMEMBASSY DHAKA 5274
RUEHLO/AMEMBASSY LONDON 2199
RUEHNE/AMEMBASSY NEW DELHI 5593
RUEHUL/AMEMBASSY SEOUL 9189
RUEHTC/AMEMBASSY THE HAGUE 0828
RUEHKO/AMEMBASSY TOKYO 6767
RUEHCN/AMCONSUL CHENGDU 1864
RUEHCHI/AMCONSUL CHIANG MAI 2242
RUEHCI/AMCONSUL KOLKATA 0712
RHHMUNA/CDR USPACOM HONOLULU HI
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 2570
RUEHGV/USMISSION GENEVA 4576
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000414

SIPDIS

STATE FOR EAP/MLS, INR/EAP,
PACOM FOR FPA
DEPT PASS TO USDA
DEPT PASS TO USAID
BANGKOK FOR USDA/FAS
TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 07/06/2019
TAGS: [EAGR](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [BM](#)
SUBJECT: BURMA: RICE EXPORTS JUMP; EXPORT BAN POSSIBLE SOON

REF: A. RANGOON 412
[1](#)B. RANGOON 001

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

[1](#)1. (C) During the first quarter of 2009, Burmese traders and military-owned Myanmar Economic Corporation (MEC) exported approximately 645,000 metric tons of rice, 33 percent more than Burma exported in all of 2008, reflecting increased production. Exported rice came from Mandalay, Sagaing, and Irrawaddy Divisions, which increased rice production in the April harvest by between 15-20 percent over the same period last year. Primary export markets included Africa, North Korea, and the Philippines. In recent weeks, the local price of rice has jumped 17 percent, despite surplus local rice stocks. As a result, traders here predict the GOB will once again temporarily ban rice exports in an effort to reduce local rice prices. End Summary.

Booming Rice Exports

[1](#)2. (C) Late last year the Burmese Government set a target of three million metric tons for 2009 rice exports (Ref A). According to SGS Consultants Managing Director U Kyaw Tin, the April 2009 rice harvest (the so-called "summer crop") was

a success, as farmers in Mandalay, Sagaing, and Irrawaddy Divisions produced approximately 15-20 percent more rice than in all of 2008. U Kyaw Tin noted that rice production was higher in Sagaing and Mandalay Divisions due to sufficient rainfall and the use of high quality inputs (fertilizers and seeds). As noted in Ref A, production in the Irrawaddy Delta also increased approximately 15 percent over 2008 summer crop yields (harvested before Cyclone Nargis).

13. (C) During the first quarter of 2009, select Burmese companies and MEC officially exported more than 645,000 metric tons of rice, a 33 percent increase over 2008 totals, U Kyaw Tin confirmed. He estimated three companies -- Shwe Hin Tha owned by Secretary-1's son; Aye Ya Shwe Wa owned by Aung Thet Mann, son of the #3 General; and Acme International Trading owned by major crony Tay Za -- exported an additional 100,000 metric tons of rice in May. The majority of Burma's rice went to Africa; shipments to North Korea totaled up to 12,500 metric tons a month while shipments to the Philippines remained small (less than 4,000 metric tons), Embassy contact Anwar Hussein told us.

Burma's Official Rice Exports, 2007-2009*
In Metric Tons

| Year | Amount Exported | Percent Change |
|------|-----------------|----------------|
| 2003 | 398,000 | -- |
| 2004 | 115,297 | -71 |
| 2005 | 219,624 | 90 |
| 2006 | 46,815 | -79 |

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| | | |
|-------|---------|------|
| 2007 | 31,200 | -33 |
| 2008 | 468,641 | 1410 |
| 2009* | 645,000 | 33 |

Source: SGS Consultants, June 2009

*Through April 2009

Business is Good

14. (C) Exporting rice remains a profitable business, more so than in 2008, Hussein noted. Burmese rice currently sells for USD 350/metric ton on the world market, up from an average of USD 260/metric ton in 2008. Domestic traders purchase rice from MEC, paying between USD 300-330 a metric ton, depending on the buyer, then export the product at a profit of between USD 20-50 per metric ton. Hussein told us that the five main rice exporters -- Aye Ya Shwe Wa, Shwe Hin Tha, Acme International, Myanmar Rice Trading Company owned by crony Nay Aung, and Irrawaddy Company partially owned by the Southeast Regional Commander -- buy rice directly from Regional Commanders at lower prices, close to USD 250/metric ton. These companies, which export the majority of Burma's official rice exports, earn even greater profits as a result. Hussein estimated they can earn more than USD 1.3 million on 10,000 metric tons of rice.

15. (C) Regional Commanders and MEC are the real winners with Burmese rice exports. As explained in Ref B, Regional Commanders pay local farmers approximately USD 160/metric ton, roughly the cost of production. Hussein explained that 70 percent of this rice is transferred into MEC hands for export or resale; Regional Commanders keep the rest, reselling it for personal profit. Hussein also claimed that in certain rice producing areas -- Sagaing and Mandalay Divisions, Shan State, and sometimes the Irrawaddy Delta -- Regional Commanders force farmers to sell them surplus rice crops at below-market prices.

What About the Old Rice?

¶6. (C) Ref B noted that 2008 rice exports were lower than expected, as many traders refused to sell rice stocks due to low world prices. U Kyaw Tin noted that traders are not generally exporting old stocks, but instead are choosing to sell them domestically. However, according to Hussein, MEC, is exporting approximately 30,000 metric tons of old rice to China each month via unofficial border trade, which is not counted in GOB published statistics.

Higher Local Prices May Mean No More Exports

¶7. (C) U Kyaw Tin confirmed that local retail rice prices have jumped by almost 17 percent in the past two weeks, from 12,300 kyat to 14,300 kyat (USD 12-14) for a 25-pound bag. Burma currently has a surplus of rice, so he could not explain the increase in local prices. He noted that the GOB has yet to take any action, although he understands MEC is planning to buy old rice stocks from traders, perhaps to sell them in local markets to drive down prices.

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¶8. (C) Several rice traders observed that the GOB will likely temporarily ban rice exports, particularly if the local price of rice continues to increase. Hussein, who is close to crony Aung Thet Mann, told us that Aye Ya Shwe Wa currently has no rice in stock and has no plans to export rice in the next three months. Since exporting rice currently brings in high profits, Hussein speculated that Aung Thet may have received instructions from the regime not to buy any rice for export because the GOB would soon limit foreign rice sales. Agricultural contacts confirm the GOB has not issued new rice export permits since May; existing permits will expire on July 1. U Kyaw Tin opined that any export prohibition will likely be lifted by November, once the monsoon harvest is ready. The GOB may not make its three million metric ton target for the year, but will likely export more than one million metric tons by the end of 2009, he concluded.

Comment

¶9. (C) Increasing local rice prices may place additional pressure on Burma's already impoverished people. However, the regime closely monitors rice prices, which in the past have been the impetus for anti-regime demonstrations. Given these sensitivities, temporarily banning rice export in the face of rising domestic prices would be a natural step for the regime.

DINGER